EXHIBIT 3
(PART 1 of 2)

Probusinessbank Group

Consolidated Financial Statements and Independent Auditor's Report

for the Year Ended 31 December 2014

PROBUSINESSBANK GROUP

CONTENTS

PROBUSINESSBANK GROUP

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Probusinessbank and its subsidiaries ("the Probusinessbank Group", "the Group") as at 31 December 2014, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with Russian Federation legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2014 were approved by the Management Board on 15 April 2015.

On behalf of the Management:

A.V. Lomov
Deputy Chairman of the Management Board

15 April 2015

A.G. Sologub
Deputy Chief Accountant

Deloitte.

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Moscow 125047
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INDEPENDENT AUDITOR'S REPORT

To: Shareholders and Board of Directors of Joint Stock Commercial Bank "Probusinessbank" (Open Joint Stock Company).

We have audited the accompanying consolidated financial statements of OJSC Probusinessbank ("the Bank") and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statement of profit or loss and other comprehensive income, consolidated statements of changes in equity and cash flows for 2014, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for 2014, in accordance with International Financial Reporting Standards.

Report on procedures performed in accordance with the Federal Law No. 395-1 "On Banks and Banking Activities" dated 2 December 1990

Management of the Bank is responsible for compliance of the Group with the obligatory ratios established by the Bank of Russia (the "obligatory ratios"), as well as for compliance of the Group's internal control and risk management systems with the Bank of Russia (the "CBRF") requirements.

According to Article 42 of the Federal Law No. 395-1 "On Banks and Banking Activities" dated 2 December 1990 (the "Federal Law") in the course of our audit of the Group's consolidated financial statements for 2014 we performed procedures with respect to the Group's compliance with the obligatory ratios as at 1 January 2015 and compliance of its internal control and risk management systems with the CBRF requirements.

We have selected and performed procedures based on our judgment, including inquiries, analysis and review of documentation, comparison of the Bank's policies, procedures and methodologies with the CBRF requirements, as well as recalculations, comparisons and reconciliations of numeric values and other information.

We report our findings below:

1. with respect to the Group's compliance with the obligatory ratios: the obligatory ratios as at 1 January 2015 were within the limits established by the CBRF.

   We have not performed any procedures with respect to the Group's financial information other than those we considered necessary to express our opinion on whether the consolidated financial statements of the Group present fairly, in all material respects, the financial position of the Group as at 31 December 2014, its financial performance and its cash flows for 2014 in accordance with International Financial Reporting Standards.

2. with respect to compliance of the Group's internal control and risk management systems with the CBRF requirements:

   (a) in accordance with the CBRF requirements and recommendations as at 31 December 2014 the Bank's internal audit department was subordinated and accountable to the Bank's Board of Directors and the Bank's risk management departments were not subordinated or accountable to the departments undertaking the respective risks, the heads of the Bank's risk management and internal audit departments comply with qualification requirements established by the CBRF;

   (b) as at 31 December 2014, the Bank had duly approved in accordance with the CBRF requirements and recommendations the internal policies regarding identification and management of significant risks, including credit, operating, market, interest rate, legal, liquidity, and reputational risks, as well as regarding performance of stress-testing;

   (c) as at 31 December 2014, the Bank had a reporting system with regard to the Group's significant credit, operating, market, interest rate, legal, liquidity and reputational risks, and with regard to the Group's capital;

   (d) Frequency and sequential order of reports prepared by the Bank's risk management and internal audit departments in 2014 on management of credit, operating, market, interest rate, legal, liquidity and reputational risks were in compliance with the Bank's internal policies; these reports included results of monitoring by the Bank's risk management and internal audit departments of effectiveness of the Bank's respective methodologies and improvement recommendations;

(e) as at 31 December 2014, the authority of the Bank's Board of Directors and the Bank's executive bodies included control over compliance with the risk limits and capital adequacy ratios established by the Bank. In order to control effectiveness and consistency of application of the Group's risk management policies, during 2014 the Bank's Board of Directors and the Bank's executive bodies have regularly discussed reports prepared by the risk management and internal audit departments and have considered proposed corrective measures.

We have carried out the procedures with respect to the Group's internal control and risk management systems solely to report on the findings related to compliance of the Group's internal control and risk management systems with the CBRF requirements.

Deloitte & Touche

15 April 2015
Moscow, Russian Federation

Neklyudov S.V., Partner
(license no. 01-000196 dated November 28, 2011)

ZAO Deloitte & Touche CIS

The Entity: OJSC "Probusinessbank"

Certificate of state registration № 2412 dated 28.01.1998

Certificate of registration in the Unified State Register № 1027700508978 of 09.12.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 50.

Address: 119285, Russia, Moscow, Pudovkina street, 3

Independent Auditor: ZAO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Certificate of registration in the Unified State Register № 1027700425444 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Certificate of membership in «NP «Audit Chamber of Russia» (auditors' SRO) of 20.05.2009 № 3026, ORNZ 10201017407

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RUR'000	2013 RUR'000
Interest income	6	26,368,022	30,859,775
Interest expense	6	(10,163,217)	(10,426,890)
Net interest income		**16,204,805**	**20,432,885**
Fee and commission income	7	6,440,936	5,478,297
Fee and commission expense	8	(734,051)	(570,744)
Net fee and commission income		**5,706,885**	**4,907,553**
Net loss on financial assets and liabilities at fair value through profit or loss	9	(5,543,607)	(2,046,253)
Net foreign exchange gain	10	7,402,153	2,464,811
Net realized gain/(loss) on available-for-sale securities		10,929	(1,507)
Other operating income	11	1,433,904	1,347,242
Other operating expense	12	(103,647)	(715,728)
Operating income before provision for impairment losses		**25,111,422**	**26,389,003**
Impairment losses	13	(10,991,100)	(6,452,938)
Change in fair value of investment property	23	(187,269)	(129,468)
General administrative expenses	14	(17,403,138)	(16,871,887)
(Loss)/profit before tax		**(3,470,085)**	**2,934,710**
Income tax benefit/(expense)	15	330,519	(816,561)
Total profit for the period from continuing operations		(3,139,566)	2,118,149
Discontinued operations:			
Profit for the period from discontinued operations	25	**94,757**	**82,885**
(Loss)/profit for the period		**(3,044,809)**	**2,201,034**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale securities, net of tax	15	-	(237)
Net amount of fair value of available-for-sale securities transferred to profit or loss, net of tax		617	597
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property and equipment, net of tax	15	(132,088)	162,726
Other comprehensive (loss)/income		**(131,471)**	**163,086**
Total comprehensive (loss)/income		**(3,176,280)**	**2,364,120**
(Loss)/profit attributable to:			
Equity holders of the Bank		(2,940,233)	2,150,065
Non-controlling interest		(104,576)	50,969
(Loss)/profit for the year		**(3,044,809)**	**2,201,034**
Total comprehensive (loss)/income attributable to:			
Equity holders of the Bank		(3,051,147)	2,313,151
Non-controlling interest		(125,133)	50,969
Total comprehensive (loss)/income for the year		**(3,176,280)**	**2,364,120**
(Losses)/earnings per share			
From continuing and discontinued operations			
Basic and diluted (RUR)	47	**(884.36)**	**625.32**
From continuing operations			
Basic and diluted (RUR)	47	**(944.31)**	**616.04**

A.V. Lomov
Deputy Chairman of the Management Board

15 April 2015

A.G. Sologub
Deputy Chief Accountant

The notes on pages 11-113 form an integral part of the consolidated financial statements.

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Notes	2014 RUR'000	2013 RUR'000
ASSETS			
Cash		11,079,308	6,267,061
Due from the Central Bank of the Russian Federation		9,411,623	5,082,347
Mandatory cash balances with the Central Bank of the Russian Federation		2,397,711	1,268,350
Placements with banks and other financial institutions	16	23,119,049	19,605,045
Financial instruments at fair value through profit or loss	17	42,743,368	40,627,977
Amounts receivable under reverse repurchase agreements	18	1,000,614	6,440
Loans to customers	19	76,340,666	59,539,207
Available-for-sale securities		201	105,076
Held-to-maturity investments	20	6,978,401	1,498,474
Property, equipment and intangible assets	21	6,834,187	4,431,803
Development property	22	741,989	2,650,974
Investment property	23	1,631,739	1,224,473
Goodwill		252,676	252,676
Current income tax asset		640,944	79,668
Deferred tax asset	15	2,818,373	1,181,406
Other assets	24	1,586,309	1,029,896
		187,577,158	**144,850,873**
Assets of discontinued operations classified as held for sale	25	-	26,754,763
Total assets		**187,577,158**	**171,605,636**
LIABILITIES			
Financial liabilities at fair value through profit or loss	17	229,427	1,374,568
Deposits and balances from banks and other financial institutions	26	8,250,452	8,119,059
Amounts payable under repurchase agreements	27	6,684,446	1,883,065
Current accounts and deposits from customers	28	138,541,014	110,582,224
Debt securities issued	29	5,742,112	5,506,989
Other borrowed funds	30	4,537,804	1,785,462
Subordinated debt	31	6,188,665	2,361,404
Other liabilities	32	2,156,905	1,854,828
		172,330,825	**133,467,599**
Liabilities associated with assets of discontinued operations classified as held for sale	25	-	20,780,828
Total liabilities		**172,330,825**	**154,248,427**
EQUITY			
Share capital	33	4,417,399	4,417,399
Treasury shares	33	(113,618)	-
Share premium		1,237,031	1,237,031
Additional paid-in capital		-	521,580
Revaluation surplus for property and equipment		604,709	855,001
Revaluation reserve for available-for-sale securities		-	(617)
Retained earnings		6,351,868	10,253,091
Total equity attributable to equity holders of the Bank		**12,497,389**	**17,283,485**
Non-controlling interest		2,748,944	73,724
Total equity		**15,246,333**	**17,357,209**
Total liabilities and equity		**187,577,158**	**171,605,636**

The notes on pages 11-113 form an integral part of the consolidated financial statements.

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RUR'000	2013 RUR'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss)/profit before tax		(3,269,833)	3,037,930
Adjustments for:			
Net interest income		(16,204,805)	(20,652,551)
Impairment losses		10,553,548	6,447,545
Write down of development property to net realizable value		437,552	-
Depreciation/amortization of property and equipment and intangible assets		1,173,282	987,790
(Gain)/loss on disposal of property and equipment and intangible assets		(39,102)	167,576
Loss on disposal of investment property		-	197,228
Loss on disposal of development property		103,647	144,560
Changes in other accruals		34,295	166,308
Change in fair value of investment property		187,269	129,468
Unrealised foreign exchange loss		(5,167,926)	(970,171)
Net cash outflow from operating activities before changes in operating assets and liabilities		**(12,192,073)**	**(10,344,317)**
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Mandatory cash balances with the Central Bank of the Russian Federation		(1,126,501)	218,385
Placements with banks and other financial institutions		1,252,348	(691,105)
Financial assets at fair value through profit or loss		3,551,062	(12,200,693)
Amounts receivable under reverse repurchase agreements		(994,174)	(6,715)
Loans to customers		311,029	5,524,091
Other assets		196,516	127,968
Increase/(decrease) in operating liabilities:			
Financial liabilities at fair value through profit or loss		(1,145,141)	1,297,244
Deposits and balances from banks and other financial institutions		(2,828,477)	(1,539,846)
Amounts payable under repurchase agreements		4,381,147	(1,576,456)
Current accounts and deposits from customers		5,168,625	(7,087,063)
Other liabilities		(51,059)	392
Cash outflow from operating activities before interest and taxes paid		**(3,476,697)**	**(26,278,115)**
Interest received		26,167,097	29,697,947
Interest paid		(10, 881,458)	(9,886,795)
Income tax paid		(1,085,796)	(1,077,293)
Net cash inflow/(outflow) from operating activities		**10,723,145**	**(7,544,256)**

The notes on pages 11-113 form an integral part of the consolidated financial statements.

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RUR'000	2013 RUR'000
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment and intangible assets		(2,005,569)	(1,107,459)
Proceeds on disposal of property and equipment and intangible assets		318,628	160,924
Proceeds on disposal of investment property		303,027	1,235,024
Proceeds on disposal of development property		1,367,786	3,685,017
Acquisition of held-to-maturity investments		(5,498,676)	(1,498,474)
Proceeds from disposal of available-for-sale securities		105,492	1,269
Proceeds from disposal of subsidiary	25	297,679	-
Net cash (outflow)/inflow from investing activities		**(5,111,633)**	**2,476,301**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		(381)	(3,462)
Purchase of own shares		(297,679)	-
Proceeds from debt securities issued		1,210,083	2,857,401
Repayment of debt securities		(2,929,090)	(5,052,380)
Proceeds from subordinated debt received		2,774,156	-
Repayment of subordinated debt		-	(233,646)
Repayment of other borrowed funds		(461,456)	(578,508)
Proceeds from other borrowed funds		-	494,517
Net cash outflow from financing activities		**295,633**	**(2,516,078)**
Net increase/(decrease) in cash and cash equivalents		**5,907,145**	**(7,584,033)**
Effect of changes in foreign exchange rate on cash and cash equivalents		(638,607)	(325,606)
Cash inflow on acquisition of subsidiaries	46	640,125	-
Cash and cash equivalents at the beginning of the year	40	37,701,315	45,610,954
Cash and cash equivalents at the end of the year	40	**43,609,978**	**37,701,315**

The notes on pages 11-113 form an integral part of the consolidated financial statements.

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to equity holders of the Bank								
	Share capital RUR'000	Share premium RUR'000	Additional paid-in capital RUR'000	Revaluation surplus for property and equipment RUR'000	Revaluation reserve for available-for-sale securities RUR'000	Retained earnings RUR'000	Total RUR'000	Non-controlling interest RUR'000	Total equity RUR'000
Balance as at 1 January 2013	**4,417,399**	**1,237,031**	**592,200**	**728,217**	**(977)**	**7,996,849**	**14,970,719**	**78,826**	**15,049,545**
Total comprehensive income									
Profit for the year	-	-	-	-	-	2,150,065	2,150,065	50,969	2,201,034
Other comprehensive income									
Net unrealized losses on investments available-for-sale, net of deferred tax of RUR 59 thousand	-	-	-	-	(237)	-	(237)	-	(237)
Disposal of investments available-for-sale revalued in prior periods, net of deferred tax of RUR 149 thousand (Note 15)	-	-	-	-	597	-	597	-	597
Revaluation of property and equipment, net of deferred tax of RUR 40,681 thousand	-	-	-	162,726	-	-	162,726	-	162,726
Total other comprehensive income	-	-	-	162,726	(237)	-	163,086	-	163,086
Total comprehensive income	**-**	**-**	**-**	**162,726**	**(237)**	**2,150,065**	**2,313,151**	**50,969**	**2,364,120**
Disposal of property and equipment revalued in prior periods, net of deferred tax of RUR 8,985 thousand	-	-	-	(35,942)	-	35,942	-	-	-
Change in non-controlling interest of a subsidiary	-	-	-	-	-	-	-	(52,994)	(52,994)
Redemption of subordinated debt	-	-	(70,620)	-	-	70,620	-	-	-
Dividends paid (Note 33)	-	-	-	-	-	(385)	(385)	(3,077)	(3,462)
Balance as at 31 December 2013	**4,417,399**	**1,237,031**	**521,580**	**855,001**	**(617)**	**10,253,091**	**17,283,485**	**73,724**	**17,357,209**

The notes on pages 11-113 form an integral part of the consolidated financial statements.

PROBUSINESSBANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to equity holders of the Bank									
	Share capital RUR'000	Treasury shares	Share premium RUR'000	Additional paid-in capital RUR'000	Revaluation surplus for property and equipment RUR'000	Revaluation reserve for available-for-sale securities RUR'000	Retained earnings RUR'000	Total RUR'000	Non-controlling interest RUR'000	Total equity RUR'000
Balance as at 1 January 2014	4,417,399	-	1,237,031	521,580	855,001	(617)	10,253,091	17,283,485	73,724	17,357,209
Total comprehensive income										
(Loss) / profit for the year	-	-	-	-	-	-	(2,940,233)	(2,940,233)	(104,576)	(3,044,809)
Other comprehensive income		-								
Disposal of investments available-for-sale revalued in prior periods, net of deferred tax of RUR 155 thousand (Note 15)	-	-	-	-	-	617	-	617	-	617
Revaluation of property and equipment, net of deferred tax of RUR 33,022 thousand	-	-	-	-	(111,531)	-	-	(111,531)	(20,557)	(132,088)
Total other comprehensive (loss) / income	-	-	-	-	(111,531)	617	-	(110,914)	(20,557)	(131,471)
Total comprehensive (loss) / income for the year	-	-	-	-	(111,531)	617	(2,940,233)	(3,051,147)	(125,133)	(3,176,280)
Purchase of own shares	-	(113,618)	-	-	-	-	(184,061)	(297,679)	-	(297,679)
Change in non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	(40,512)	(40,512)
Obtaining control of OJSC CB "Solidarnost" (Note 46)	-	-	-	-	-	-	-	-	2,866,933	2,866,933
Disposal of OJSC Bank24.ru (Note 25)	-	-	-	(521,580)	(133,853)	-	(781,456)	(1,436,889)	(26,068)	(1,462,957)
Disposal of property and equipment revalued in prior periods, net of deferred tax of RUR 1,227 thousand	-	-	-	-	(4,908)	-	4,908	-	-	-
Dividends paid (Note 33)	-	-	-	-	-	-	(381)	(381)	-	(381)
Balance as at 31 December 2014	4,417,399	(113,618)	1,237,031	-	604,709	-	6,351,868	12,497,389	2,748,944	15,246,333

The notes on pages 11-113 form an integral part of the consolidated financial statements.

1. BACKGROUND

Principal activities

These consolidated financial statements include the financial statements of OJSC "Probusinessbank" ("the Bank") and its subsidiaries (together referred to as "the Group").

The Bank, the parent company of the Group, was established in the Russian Federation in 1993. In 1994 the Bank was reorganised into a commercial bank (Limited Liability Company) and in 1998 the Bank changed its legal form to an Open Joint-Stock Company. The Bank operates under general banking license № 2412 issued by the Central Bank of the Russian Federation ("the CBRF") and provides a full range of banking services to corporate clients, including public, private, state-owned and other companies operating in various industries, as well as to individuals. In addition to the general banking license, the Bank holds licenses for depositary activities, securities management, broker, dealer activity, intermediary for dealing in futures and options on the stock exchange, non-governmental pension funds assets management, precious metal transactions, and a right to act as a guarantor in relations with customs authorities. The Bank is a member of the following financial associations and organizations: Moscow Interbank Currency Exchange- RTS, Association of Russian Banks, Society for Worldwide Interbank Financial Telecommunication ("SWIFT"), International Retail Banking Council ("IRBC"), and the following communication systems: REUTERS, TELEX, SPRINT, TIMELINK. The Bank is a Principal member of Master Card International and Europay VISA International. The Bank is a member of the state deposit insurance system in the Russian Federation.

The registered address of the Bank is: 3, Pudovkina st., Moscow, 119285, Russian Federation.

The majority of the Bank's assets and liabilities are located in the Russian Federation. The average number of people employed by the Bank during the year was 5,057 (2013: 5,216).

The Bank is a parent company of the banking group which consists of the following companies consolidated for the purposes of these consolidated financial statements as at 31 December 2014 and 2013:

Name	Country of incorporation	Interest/ voting rights, % as at 31 December 2014	Interest/ voting rights, % as at 31 December 2013	Type of activity
OJSC VUZ-Bank	Russian Federation	100.00%	100.00%	Commercial Bank
CJSC CB Express-Volga	Russian Federation	99.80%	98.75%	Commercial Bank
CJSC National Savings Bank (formally – LLC Ivanovsky Oblastnoy Bank)	Russian Federation	100.00%	100.00%	Commercial Bank
OJSC Gazenergobank	Russian Federation	99.99%	99.99%	Commercial Bank
OJSC Bank 24. RU	Russian Federation	-	98.76%	Commercial Bank
OJSC Bank Poidem! (formally Investment City Bank)	Russian Federation	100.00%	100.00%	Commercial Bank
OJSC CB "Solidarnost" (note 46)	Russian Federation	0.00%/20.00%	-	Commercial Bank
LLC FC "Life"	Russian Federation	100.00%	100.00%	Factoring company
"Probusiness-Development" LLC	Russian Federation	100.00%	100.00%	Development company
LLC Development Plus	Russian Federation	100.00%	100.00%	Property company
CMIF "Stroitelnaya Iniciativa"	Russian Federation	80.03%	100.00%	Investment fund
CMIF "DOM"	Russian Federation	100.00%	100.00%	Investment fund

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interest:

Name of subsidiary	Proportion of ownership interests and voting rights held by non-controlling interest 31 December 2014 %	Profit (loss) allocated to non-controlling interest 31 December 2014 RUR'000	Accumulated non-controlling interest 31 December 2014 RUR'000
OJSC CB "Solidarnost"	0.00%/20.00%	(107,573)	2,866,933

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interest is set out below.

Non-controlling interest comprise:

	2014
As at January 1	
Share of profit for the year	(107,573)
Non-controlling interest arising on acquisitions	2,866,933
Non-controlling interest arising on revaluation of property and equipment	(20,557)
As at December 31	**2,738,803**

The summarised financial information below represents amounts before intragroup eliminations.

	2014
Total assets	16,170,591
Total liabilities	13,431,788
Equity attributable to owners of the Bank	-
Non-controlling interest	**2,738,803**

	2014
Revenue	2,211,174
Expenses	(2,318,747)
Loss for the year	**(107,573)**
Loss attributable to owners of the Bank	-
Loss attributable to the non-controlling interest	(107,573)
Loss for the year	**(107,573)**
Other comprehensive loss attributable to owners of the Bank	-
Other comprehensive loss attributable to the non-controlling interest	(20,577)
Other comprehensive loss for the year	**(20,577)**
Total comprehensive loss attributable to owners of the Bank	-
Total comprehensive loss attributable to the non-controlling interest	(128,150)
Total comprehensive loss for the year	**(128,150)**
Dividends paid to non-controlling interest	-
Net cash outflow from operating activities	(944,180)
Net cash outflow from investing activities	(104,706)
Net cash outflow from financing activities	(70,050)
Net cash outflow	(1,118,936)

The average number of people employed by the Group during the year was 13,351 (2013: 14,019).

On 31 March 2003, the Bank acquired a 94.5% interest in OJSC VUZ-Bank. The Bank's acquisition of VUZ-Bank's additional share issue in June 2007 resulted in increasing the Bank's interest to 98.43%. In October 2007 the Bank's interest in the share capital of VUZ-Bank reached 100%.

VUZ-Bank was incorporated as a limited liability company under the legislation of the Russian Federation on 5 September 1991 and changed its legal form to an open joint-stock company on 6 September 1999. Its registered office is located at the following address: 31-b Malysheva st., 11 Bankovsky per., Ekaterinburg, Russian Federation. VUZ-Bank's activities are regulated by the CBRF and general banking licence No. 1557. VUZ-Bank is an associated member of Visa International Service Association, affiliate member of MasterCard International Incorporated and member of the Urals Bank Union. VUZ-Bank is a member of the state deposit insurance system since 23 December 2004. The average number of people employed by VUZ-Bank during the year was 1,250 (2013: 1,297).

On 29 December 2003, the Bank entered into an agreement with the shareholders of CJSC Express-Volga ("Express-Volga Bank") to acquire the majority interest in Express-Volga Bank. Starting from 6 February to 10 February 2004, the Bank has become a registered owner of 57.92% of the share capital of Express-Volga Bank and, additionally, on 19 April 2004 the Bank acquired another 1.03% of the bank's share capital. In May 2005, the Bank additionally acquired 27.33% of the share capital of Express-Volga Bank. In March 2007 the Bank additionally acquired 116,382 ordinary registered shares (12.03% of share capital) of Express-Volga Bank. The Bank's interest in the share capital of Express-Volga Bank amounted to 98.31%. The Bank's acquisition of additional issue of the Bank's ordinary registered shares in June 2007 resulted in the growth of its interest in Express-Volga's share capital to 98.75%. In 2014 the Bank acquired additional shares from minority shareholders which resulted in the growth of its interest in Express-Volga's share capital to 99.80%.

Express-Volga Bank was incorporated as a Closed Joint-Stock Company under the legislation of the Russian Federation on 6 September 1994. Its registered office's address is: 166/168 Michurina st. Saratov, Russian Federation. Express-Volga Bank's activities are regulated by the CBRF general banking license No. 3085 of 2 October 2002.

In addition to the license for banking operations in Russian rubles and foreign currencies Express-Volga Bank has a license that allows it to perform depository activities. Express-Volga issues Union Card and Visa plastic cards and also services international plastic cards Eurocard/Mastercard, Visa, Cirrus Maestro, Visa–Electron Plus. Express-Volga is a member of the state deposit insurance system since 16 December 2004. The average number of people employed by Express-Volga Bank during the year was 2,918 (2013: 2,989).

On 1 December 2006, the Bank finalised the acquisition of an interest in the share capital of LLC CB Ivanovsky Oblastnoy Bank ("Ivanovsky Oblastnoy Bank"). The Bank's interest in the share capital of Ivanovsky Oblastnoy Bank is 100%.

In 2009, in accordance with the Order No. 107/1-P "About the state registration of the new name of CJSC National Savings Bank", LLC CB Ivanovsky Oblastnoy Bank was reorganized and renamed CJSC National Savings Bank.

CJSC National Savings Bank (LLC CB Ivanovsky Oblastnoy Bank) is the successor of LLC CB Ivanovskie Sittsy established by the decision of owners on 11 May 1992 and registered by the CBRF on 7 July 1992, registration number 1949. In accordance with the CBRF license, CJSC National Savings Bank has the right to carry out operations with legal entities and individuals in Russian rubles and in foreign currencies. CJSC National Savings Bank is a member of the state deposit insurance system since 2 December 2004. The registered address of the Bank is: 2 Palekhskaya st., Ivanovo, Russian Federation, 153000. CJSC National Savings Bank has 1 additional office in Ivanovo.
The average number of people employed by that bank during the year was 207 (2013: 199).

On 14 November 2008, the Bank signed a strategic partnership with OJSC "Gazenergobank" which resulted in the change of the owner of OJSC Gazenergobank.

The Bank became the owner of 19.83% of ordinary shares and 80.16% of the ordinary shares of OJSC Gazenergobank were repurchased by the senior management of the Group. As a result the Group obtained full control over OJSC Gazenergobank, and its results were consolidated into the financial statements of the Group from that date.

On 22 January 2009, all shares were transferred from senior management to the Bank and it became the owner of 99.99% of OJSC Gazenergobank shares.

OJSC Gazenergobank was incorporated as an Open Joint-Stock Company under the legislation of the Russian Federation on 19 May 1995 and is a member of the state deposit insurance system in the Russian Federation since 27 January 2005. The registered address of OJSC Gazenergobank is: 4 Plekhanova st., Kaluga, Russian Federation.

OJSC Gazenergobank issues banking cards in the payment system of MasterCard International, including MasterCard, Cirrus/Maestro, Visa (in ATMs), American Express and Diners Club banking cards. The Bank began personalization of its own banking cards in 2006 in Kaluga. Financial statements of OJSC Gazenergobank are included into the Group's consolidated financial statements from the date of acquisition (14 November 2008). The average number of people employed by the Bank during the year was 1,152 (2013: 1,206).

On 5 December 2008, the Bank together with the government-sponsored Deposits Insurance Agency (DIS) and Bank24.ru signed a general agreement No. 2008-0301/3. According to the Agreement, OJSC Probusinessbank was committed to ensure the financial improvement of OJSC Bank24.ru. The Bank became the owner of 20% of ordinary shares and 79.53% of ordinary shares of OJSC Bank24.ru were repurchased by the senior management of the Group. As a result, the Group obtained full control over OJSC Bank24.ru.

On 27 January 2009, all shares were transferred from senior management to the Bank and it became the owner of 99.53% of OJSC Bank24.ru shares. On 10 May 2011, the Bank sold 0.77% of shares to an individual and the Bank became the owner of 98.76% of OJSC Bank24.ru shares.

OJSC Bank24.ru was established in 1992. The name of OJSC Bank24.ru till 2003 was "Uralcontactbank". During 2003, as a result of changes of owners and rebranding the Bank was renamed to Bank24.ru. The registered address of OJSC Bank24.ru is: 12 Kuibysheva st., Ekaterinburg, Russian Federation, 620144. Bank24.ru has a banking license (No.2227 of 29 October 2003) to perform operations with Russian rubles and foreign currency.

On 24 February 2005, OJSC Bank24.ru became a member of the state deposit insurance system in the Russian Federation.

The financial statements of OJSC Bank24.ru are included into the Group's consolidated financial statements starting from the date of acquisition (5 December 2008).

The Group has disposed of OJSC Bank24.ru on 30 June 2014. The disposal details are presented in Note 25.

On 25 December 2009, CJSC National Savings Bank purchased 19.99% of ordinary shares of OJSC Investment City Bank. 77.11% of ordinary shares of OJSC Investment City Bank were purchased by the senior management of the Group. As a result the Group obtained full control over OJSC Investment City Bank, and its results were consolidated into the financial statements of the Group from that date. During 2013, OJSC "Probusinessbank" purchased all ordinary shares from subsidiary bank, from the senior management of the Group and from minorities and became a 100% owner of the bank.

Investment City Bank ("ICB") was incorporated in 1993 as an Opened Joint-Stock Company under the legislation of the Russian Federation as OJSC Gais-Bank. In 1997, the bank was renamed OJSC CB Gais-Bank. According to the decision of General Meeting of shareholders in 1999 the name of the bank was changed to OJSC Investment City Bank.

On 31 December 2010, OJSC Investment City Bank was renamed OJSC CB "Poidem!" and the required changes were made in the State Register of Credit Institutions of the Bank of Russia. OJSC CB "Poidem!" was issued new licenses to conduct banking operations in rubles and foreign currency, as well as to draw deposits from individuals. License numbers remain the same - 2534.

The registered address of OJSC CB "Poidem!" is: 36/3 Kutuzovsky prospekt, Moscow, Russian Federation, 630049.

The average number of people employed by OJSC CB "Poidem!" during the year was 1,616 (2013: 2,017).

On 21 April 2014, the Group obtained managerial control over OJSC CB "Solidarnost", by appointment to the Board of Directors of key top management personnel of OJSC "Probusinessbank" (Note 46).

On 21 April 2014, the Group purchased a right to obtain shares from the existing owner of the bank. This agreement is valid until 22 December 2024 and is exercisable at any time when OJSC "Probusinessbank" decides to acquire 20% of the voting equity shares in OJSC CB "Solidarnost" at a fixed price. In combination of all these factors the Group has recognsed 21 April 2014 as the date when the Group obtained control over OJSC CB "Solidarnost".

The registered address of OJSC CB "Solidarnost is: b.90, Kuibyshova str., Samara, Russian Federation, 443099.

The average number of people employed by OJSC CB "Solidarnost" during the year was 838.

LLC "Development Plus" was established in 2010. The entity holds title to the office premises that are used exclusively by bank "Poidem" under a lease agreement.

The registered address of LLC Development Plus is: 3, b.1, Dobrolyubova st., Moscow, Russian Federation, 127254.

Closed-end Investment Fund "Perspectivnaya Nedvijimost" is engaged in real estate investment activities within the Russian Federation. The fund was established during 2009. The financial statements of fund was consolidated into the Group's financial statements beginning 31 December 2009.

The Group has disposed of Closed-end Investment Fund "Perspectivnaya Nedvijimost" on the 30 June 2014. The disposal details are presented in Note 25.

LLC FC "Life" was founded in September 2007. LLC FC "Life" focuses on financing for small and medium businesses. On 31 May 2010, OJSC "Probusinessbank" purchased 100% of the authorized share capital of LLC FC "Life".

Financial statements of "FC "Life" are included into the Group's consolidated financial statements from the date of acquisition.

The registered address of "FC "Life" is: 6A Belomorskaya st., Moscow, Russian Federation, 125195. The average number of people employed by LLC FC "Life" during the year was 292 (2013: 252).

On 6 May 2010, OJSC "Probusinessbank" entered into a preliminary binding unconditional agreement to purchase 100% of the authorized capital of "Probusiness-Development" LLC for RUR 230,813 thousand.

On 27 December 2010, OJSC "Probusinessbank" paid RUR 43,854 thousand as purchase consideration for "Probusiness-Development".

On 3 February 2011, the Bank paid the remaining purchase consideration of RUR 186,959 thousand for "Probusiness-Development". The financial statements of "Probusiness-Development" are included into the Group's consolidated financial statements from the date of acquisition.

The registered address of "Probusiness-Development" is: 6A Belomorskaya st., Moscow, Russian Federation, 125195.

Closed-end Investment Fund "DOM" is engaged in real estate investment activities within the Russian Federation. Both funds were established during 2009. The financial statements of fund were consolidated into the Group's financial statements beginning 31 December 2009.

Closed-end Investment Fund "Stroitelniya Initsiativa" (CIF "SI") is engaged in real estate investment activities within the Russian Federation. The CIF "SI" was established during 2011. The financial statements of CMIF "SI" were consolidated into the Group's financial statements beginning 30 September 2011.

As at 31 December 2014, the Group's network includes 3 branches, 110 additional offices, 328 credit offices, 278 operational offices, 10 cash desks and 2 representative offices. Representative offices operate in Moscow and Saratov. The Group has opened its lending and cash services offices and operation offices in Angarsk, Arkhangelsk, Alatyr, Belgorod, Briansk, Bugulma, Velikie Luki, Velikiy Novgorod, Vladivostok, Vladimir, Voronezh, Volgograd, Voljsk, Vologda, Votkinsk, Vyborg, Derbent, Dzerzhinsk, Ekaterinburg, Yelec, Izhevsk, Yoshkar-Ola, Kaliningrad, Kaluga, Kamensk-Uralskiy, Kamyshin, Kingisepp, Kirov, Kostroma, Krasnoyarsk, Kursk, Kurgan, Lipetsk, Magnitigorsk, Mariy El, Mourom, Nabregnye Chelny, Neftekamsk, Nizhny Novgorod, Nizhnevartovsk, Nijnekamsk, Novosibirsk, Omsk, Orel, Orenburg, Petrozavodsk, Pskov, Rzhev, Rybinsk, Ryazan, Rostov-on-Don, Samara, Saransk, Saratov, St. Petersburg, Smolensk, Sosnoviy Bor, Sosnogorsg, Surgut, Syktyvkar, Taganrog, Tver, Tikhvin, Tula, Ukhta, Ufa, Khanty-Mansiysk, Chita, Chelyabinsk, Cherepovets, Cheboksary, Yaroslavl, Ivanovo, Irkutsk, Perm and Tyumen regions.

Shareholders

As at 31 December 2014 and 2013, the following shareholders owned the shares of the Bank:

Shareholders of the first level	31 December 2014 %	31 December 2013 %
Alivikt Holdings Limited	51.20	52.95
East Capital Financial Fund AB	19.28	19.93
BlueCrest Emerging Markets Master Fund Limited	7.68	7.94
Rekha Holdings Limited	6.98	7.22
Burmash Holdings Limited	6.28	6.50
Haggard Finanacials Limited	5.28	5.46
Treasury account of issuer	3.30	-
Total	**100.00**	**100.00**

Ultimate shareholders of the Bank	31 December 2014 %	31 December 2013 %
S.L. Leontiev	40.15	29.80
Funds advised by East Capital International AB	19.28	19.93
A.D. Zheleznyak	11.05	11.43
Funds advised by RenFin Fund	7.68	7.94
Funds advised by BlueCrest Capital Management (UK) LLP	6.98	7.22
Funds advised by Argo Capital Management Ltd	6.28	6.50
E.V. Panteleev	5.28	5.46
Treasury account of issuer	3.30	-
E.V. Bikmaev	-	11.72
Total	**100.00**	**100.00**

2. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Management Board on 15 April 2015.

Other basis of presentation criteria

The Group for the year ended 31 December 2014 has generated a loss after tax of RUR 3,044,809 thousand. However as seen in the Note 43 the Group has a positive cumulative liquidity position for the period up to 1 year. The Group has also during the current year generated net cash inflow from operating activities of RUR 10,723,145 thousand and as disclosed in Note 35 the Group has improved it's capital ratio from 12.22% to 12.50%. During 2015 the Group will implement a number of initiativies which will enable the Group to return to profitability. Therefore management believe it is appropriate to prepare these consolidated financial statements on a going concern basis as the Group will continue in operation for the foreseeable future.

These consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Bank and its consolidated companies, registered in the Russian Federation, maintain their accounting records in accordance with Russian Accounting Standards (RAS). These consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

The Group presents its statement of financial position broadly in order of liquidity, details are presented in Note 43.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Functional and presentation currency

The national currency of the Russian Federation is the Russian rouble ("RUR"). Management has determined the Group's functional currency to be the RUR as it reflects the economic substance of the underlying events and circumstances of the Group.

The RUR is also the Group's presentation currency for the purposes of these consolidated financial statements.

Financial information presented in RUR has been rounded to the nearest thousand.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, including those involving estimations, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Held to maturity financial assets

The Group management has reviewed the Group's held to maturity financial assets in the light of its capital maintenance and liquidity requirements and has confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held to maturity financial assets is RUR 6,978,401 thousand. Details of these assets are set out (see Note 20).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

<u>Impairment of loans and receivables</u>

The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to the allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its consolidated financial statements in future periods.

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Group uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in the Russian Federation and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

As at 31 December 2014 and 2013, the gross loans and receivables totaled RUR 90,599,017 thousand and RUR 83,347,050 thousand, respectively, and allowance for impairment losses amounted to RUR 14,258,351 thousand and RUR 9,356,304 thousand, respectively.

Valuation of financial instruments

Note 41 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the end of the reporting period was RUR 252,676 thousand.

Property and equipment carried at revalued amounts

Certain property (buildings) is measured at revalued amounts. The date of the latest appraisal was 31 December 2014. The next revaluation is preliminary scheduled as at 31 December 2015. The carrying value of revalued property amounted to RUR 3,099,573 thousand and RUR 1,914,298 thousand as at 31 December 2014 and 2013, respectively. Refer to Note 21 for the key assumptions applied in valuation of property.

Development property

Development property is measured at net realizable value. The date of the latest appraisal was 31 December 2014. The net realizable value of development property amounted to RUR 741,989 thousand and RUR 2,650,974 thousand as at 31 December 2014 and 2013, respectively. As at 31 December 2014, the Group has recognized impairment of development property in the amount of RUR 437,552 thousand.

Investment property carried at revalued amounts

Land included in investment property is measured at revalued amounts. The date of the latest appraisal was 31 December 2014. The next revaluation is preliminary scheduled as at 31 December 2015. The fair value of investment property amounted to RUR 1,631,739 thousand and RUR 1,224,473 thousand as at 31 December 2014 and 2013, respectively. Refer to Note 23 for the key assumptions applied in valuation of property.

Recoverability of deferred tax assets

The management of the Group decided to recognise a valuation allowance against deferred tax assets as at 31 December 2014, details are presented in Note 15. The carrying value of deferred tax assets amounted to RUR 2,818,373 thousand and RUR 1,181,406 thousand as at 31 December 2014 and 2013, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. The accounting policies have been consistently applied. Changes in accounting policies are described at the end of this Note.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- The size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Bank, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total other comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in the statement of comprehensive income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Acquisition of companies under common control

The acquisition of controlling interests in entities under common control of the Group's shareholders is reported in the Group's financial statements as at the date of transfer of control to the Group. The acquired assets and liabilities are recognized at the previous carrying amount, at which they were recognized in the separate financial statements of the acquiree. The difference between the net assets acquired and consideration paid for the companies is taken directly to the Group's equity.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is shown separately on the statement of financial position.

Goodwill is allocated to cash-generating units for impairment testing purposes and is stated at cost less impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Negative goodwill arising on an acquisition is recognized immediately in profit or loss.

Non-controlling interest

Non-controlling interest is that part of profit or loss, other comprehensive income and net assets, of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the Bank.

Non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Bank. Non-controlling interest in profit or loss and other comprehensive income is separately disclosed in the consolidated statement of profit or loss and other comprehensive income.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. As at 31 December 2014, the official Central Bank of the Russian Federation ("the CBRF") foreign exchange rates used for translation of balances in foreign currencies were 56.2584 RUR/USD and 68.3427 RUR/EUR (31 December 2013: 32.7292 RUR/USD and 44.9699 RUR/EUR).

Cash and cash equivalents

Cash and cash equivalents include cash and nostro accounts with the CBRF, nostro accounts with banks, as well as placements with banks with original maturity less than 90 days, except for security deposits for operations with plastic cards and the Russian Government. For the purposes of the consolidated statement of cash flows, the minimum reserve deposit with the CBRF is not considered to be a cash equivalent due to restrictions on its withdrawability.

Mandatory cash balances with the Central Bank of the Russian Federation ("the CBRF")

Mandatory cash balances with the CBRF represent the amount of obligatory reserves deposited with the CBRF in accordance with requirements established by the CBRF. Mandatory cash balances with the CBRF are subject to restrictions on its availability, therefore for purposes of determining cash flows, the minimum reserve deposit required by the CBRF is not included as a cash equivalent. The Bank is required to maintain the minimum reserve deposit with the CBRF on a constant basis.

Financial instruments

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- Acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- Derivative financial instruments(except for derivative financial instruments that are designated and effective hedging instruments); or,
- Upon initial recognition, designated by the Group as at fair value through profit or loss.

The Group designates financial assets and liabilities at fair value through profit or loss where either:

- The assets or liabilities are managed and evaluated on a fair value basis;
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that:

- The Group intends to sell immediately or in the near term;
- The Group upon initial recognition designates as at fair value through profit or loss;
- The Group upon initial recognition designates as available-for-sale; or
- The Group may not recover substantially all of its initial investment, other than because of credit deterioration.

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

If the Group were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

Available-for-sale securities are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Management determines the appropriate classification of financial instruments at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of the fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of the at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that has a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 41.

Other financial liabilities

Other financial liabilities, including depository instruments with the CBRF, deposits by banks and customers, debt securities issued, other borrowed funds and other liabilities, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- Loans and receivables which are measured at amortized cost using the effective interest method;
- Held-to-maturity investments which are measured at amortized cost using the effective interest method; and
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost, less impairment.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost. Amortized cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument. Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognized immediately in profit or loss. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognized over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

Fair value measurement principles

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- A gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss
- A gain or loss on an available-for-sale securities is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest in relation to available-for-sale securities is recognized as earned in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability in the statement of financial position.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Group enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Group retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Derivative financial instruments

The Group uses derivative financial instruments to manage currency risk and liquidity risk for the purposes of trading. Derivative financial instruments include forward and future contracts on operations with foreign exchange and securities.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognized immediately in profit or loss.

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

Forwards and futures

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk.

The Group has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchange helps ensure that these contracts are always honoured. Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Group with other financial institutions in which the bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Group purchases and sells options through regulated exchanges and in the over-the-counter markets.

Options purchased by the Bank provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Group provide the purchaser the opportunity to purchase from or sell to the bank the underlying asset at an agreed-upon value either on or before the expiration of the option.

Although the Group trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for buildings which are stated at revalued amounts as described below.

Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognized net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at the amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Revaluation

Land and buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the land and buildings being revalued. A revaluation increase on an item of land and building is recognized as other comprehensive income directly in equity except to the extent that it reverses a previous revaluation decrease recognized in profit or loss, in which case it is recognized in profit or loss. A revaluation decrease on an item of land or buildings is recognized in profit or loss except to the extent that it reverses a previous revaluation increase recognized as other comprehensive income directly in equity, in which case it is recognized directly in equity.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years
Equipment	3 to 5 years
Fixtures and fittings	4 to 5 years
Motor vehicles	4 to 5 years

Depreciation methods, useful lives and residual values are revised at each financial year end and adjusted if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Licences	5 to 10 years
Purchased and developed software	5 years

Amortisation methods useful lives and residual values are revised at each financial year end and adjusted if appropriate.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Development Property

Development Property is initially stated at cost or at the fair value at acquisition date when acquired as part of a business combination and then held at the lower of this initial amount and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the Development Property to its present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognized in inventory when the significant risks and rewards of ownership have been transferred to the Group.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change recognized in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Impairment

Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the Group.

Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate.

Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgment to estimate the amount of any impairment loss.

Collective impairment

In assessing collective impairment the Group uses statistical models of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

For financial assets carried at amortised cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale securities that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in profit or loss and can not be reversed.

Available-for-sale securities

Impairment losses on available-for-sale securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Assets acquired in exchange for loans

Non-financial assets acquired in exchange for loans as part of an orderly realisation are recorded as assets held for sale and reported in 'Other assets' if the carrying amounts of the assets are recovered principally through sale, the assets are available for sale in their present condition and their sale is highly probable. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan (net of impairment allowance) at the date of exchange. No depreciation is charged in respect of assets held for sale. Any subsequent write-down of the acquired asset to fair value less costs to sell is recognized in the consolidated statement of profit or loss and other comprehensive income, in 'Other operating income'. Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative write-down, is also recognized in 'Other operating income', together with any realized gains or losses on disposal.

Write off of loans and advances

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated statement of profit or loss and other comprehensive income in the period of recovery.

Reclassification of financial assets

The Group has reclassified certain non-derivative financial assets out of held for trading (part of the FVTPL category) to AFS financial assets. Effective from July 1, 2008, the Group was permitted to reclassify, in certain circumstances, non—derivative financial assets out of the 'Held-for-trading' category and into the 'Available-for-sale', 'Loans and receivables', or 'Held-to-maturity' categories. From this date it was also permitted to reclassify, in certain circumstances, financial instruments out of the 'Available-for-sale' category and into the 'Loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost. Reclassification is at the election of management, and is determined on an instrument by instrument basis.

Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognized initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognized less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognized when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Share capital

Share capital and share premium

Share capital comprises the nominal amount of the Group's shares fully paid by the shareholders adjusted for the effect of hyperinflation.

Share premium is the amount by which contributions to share capital exceeds the nominal value of the shares issued adjusted for the effect of hyperinflation.

Treasury shares

Where the Group or other members of the Group purchase the Group's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from total shareholder's equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in shareholder's equity.

Repurchase of share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a decrease in equity.

Dividend income

The ability of the Group to declare and pay dividends is subject to the rules and regulations of the Russian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

Taxation (income tax)

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognized directly in equity, in which case it is recognized within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Taxation (other taxes)

The Russian Federation also has various other taxes not based on income, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of profit or loss and other comprehensive income.

Retirement and other benefit obligations

In accordance with the requirements of the Russian Federation legislation, pension payments are calculated by an employer as certain percentages of salary expenses and transferred to the Pension fund of the Russian Federation, which transfers them to pension funds selected by employees.

Income and expense recognition

Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the consolidated statement of comprehensive income include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Interest on available-for-sale investment securities calculated on an effective interest basis;
- Fair value changes in qualifying derivatives.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net gain on financial assets and liabilities at fair value through profit or loss.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net gain on financial assets and liabilities at fair value through profit or loss in the consolidated statement of profit or loss and other comprehensive income.

Fees and commission

Net fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

Dividends

Dividend income is recognized when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of net trading income, net income from other financial instruments at fair value through profit or loss or other operating income based on the underlying classification of the equity investment.

Revenue from disposal of development properties

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognized from the disposal of development properties in the consolidated statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue in respect of the sale of residential properties is recognized at the fair value of the consideration received or receivable on legal completion.

Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's consolidated statement of financial position include:

- 'Revaluation surplus for property and equipment' which comprises the portion of the gain or loss on the revaluation of land and buildings;
- 'Revaluation reserve for available-for-sale securities' which comprises changes in fair value of available-for-sale investments.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Application of new and revised International Financial Reporting Standards (IFRSs)

Amendments to IFRSs affecting amounts reported in the financial statements. In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities*;
- Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*;
- Amendments to IAS 39 – *Novation of Derivatives and Continuation of Hedge Accounting*;
- IFRIC 21 *Levies*.

Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities*. The amendments to IFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. Instead, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

These amendments do not have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

There is no effect of these amendments on the consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*. The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or a cash-generating unit to periods in which an impairment loss has been recognized or reversed. In addition, they expand and clarify the disclosure requirements applicable to when recoverable amount of an asset or a cash-generating unit has been determined on the basis of fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 *Fair Value Measurements*. These amendments affect disclosures only which are presented in the Note 41.

Amendments to IAS 39 – *Novation of Derivatives and Continuation of Hedge Accounting.* These amendments allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. There is no effect of these amendments on these financial statements as the Group does not apply hedge accounting.

IFRIC 21 *Levies.* The interpretation is applicable to all payments imposed by governments under legislation, other than income taxes that are within the scope of IAS 12 and fines and penalties for breaches of legislation. The interpretation clarifies that a liability to pay a levy should only be recognized when an obligating event has occurred and provides guidance on how to determine whether a liability should be recognized progressively over specific period or in full at a specific date. There was no effect of the interpretation on these financial statements except for the change in Group's policy.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

New and revised IFRSs in issue but not yet effective.

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments to IAS 19 - *Defined Benefit Plans: Employee contributions*[1];
- Annual Improvements to IFRSs 2010-2012 Cycle[1];
- Annual Improvements to IFRSs 2011-2013 Cycle[1];
- Annual Improvements to IFRSs 2012-2014 Cycle[2];
- IFRS 14 *Regulatory Deferral Accounts*[2];
- Amendments to IAS 16 and IAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortisation*[2];
- Amendments to IAS 27 - *Equity Method in Separate Financial Statements*[2];
- Amendments to IAS 16 and IAS 41 - *Agriculture: Bearer Plants*[2];
- Amendments to IFRS 11 - *Accounting for Acquisition of Interests in Joint Operations*[2];
- Amendments to IFRS 10 and IAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2];
- IFRS 15 *Revenue from Contracts with Customers*[3];
- IFRS 9 *Financial Instruments*[4].

[1] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[4] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

Amendments to IAS 19 – *Defined Benefit Plans: Employee contributions.* The amendments to IAS 19 *Employee Benefits* clarify the requirements related to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, amendments permit a practical expedient if the amount of the contributions is independent of the number of years of service, such contributions, can, but are not required, to be recognized as a reduction in the service cost in the period in which the related service is rendered. The Group's management does not expect any impact of these amendments on the financial statements as the Group's does not have defined benefit plans.

IFRS 14 *Regulatory Deferral Accounts.* IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

The application of IFRS 14 will not have any impact on the Group's financial statements in the future as the Group is not an IFRS first-time adopter.

IFRS 15 *Revenue from Contracts with Customers.* In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The management of the Group anticipates that the application of IFRS 15 in the future may not have a significant impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

IFRS 9 *Financial Instruments.* IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Specifically, debt instruments that are held within the business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost after initial recognition. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for debt instruments held within the business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair values. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- **Classification and measurement of financial liabilities.** Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

The management of the Group anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRS 11 – *Accounting for Acquisitions of Interests in Joint Operations.* The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The management of the Group does not anticipate that the application of these amendments will have a material impact of the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation.* The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted when the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses straight-line method for depreciation and amortization of its property, plant and equipment and intangible assets, respectively. The management of the Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 41 – *Agriculture: Bearer Plants.* The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as a property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for as agricultural produce in accordance with IAS 41. The management of the Group does not expect any impact of adoption of these amendments on the consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to IAS 27 – *Equity Method in Separate Financial Statements.* The amendments to IAS 27 allows entities to apply the equity method as one of the option for accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are effective from 1 January 2016 with earlier application permitted. The management of the Group does not expect any impact of these amendments on the financial statements as the Company does not prepare its separate financial statements.

Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.* The amendments clarify that on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, the extent of any gain or loss recognized depends on whether the assets or subsidiary constitute a business, as defined in IFRS 3. When the assets or subsidiary constitutes a business, any gain or loss in recognized in full; when the assets or subsidiary do not constitute a business, the entity's share of the gain or loss is eliminated.

The amendments apply prospectively to transactions occurring in annual periods beginning on or after 1 January 2016 with early application permitted. The management of the Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle. The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 change the definition of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9 or a non-financial asset or liability.

The amendments to IFRS 8 require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. These amendments are considered to be effective immediately.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The management of the Group does not anticipate that the application of these amendments will have a significant effect on the consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle. The Annual Improvements to IFRSs 2011-2013 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of a financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether the property meets the definition of investment property in terms of IAS 40, and whether the transaction meets the definition of a business combination under IFRS 3.

The management of the Group does not anticipate that the application of these amendments will have a significant effect on the consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle. The Annual Improvements to IFRSs 2012-2014 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 5 clarify that reclassification of an asset or a disposal group from held for sale to held to distribution to owners or vice versa should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied. In addition, amendments clarify that assets that no longer meet the criteria for held for distribution to owners and do not meet the criteria for held for sale should be treated in the same way as assets that cease to be classified as held for sale. The amendments should be applied prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. In addition, amendments to IFRS 7 were made to clarify that the disclosure requirements on offsetting financial assets and financial liabilities are not explicitly required to be included in the condensed interim financial statements for all interim periods, however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34.
The amendments should be applied retrospectively.

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are fist applied.

The amendments to IAS 34 clarify that information required by IAS 34 that is provided elsewhere within the interim financial report but outside the interim financial statements should be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The management of the Group does not anticipate that the application of these amendments will have a significant effect on the consolidated financial statements.

4. REPRESENTATION

In 2012 the Group's Management and the Board of Directors approved a plan to separate its subsidiaries OJSC Bank24.ru, CJSC Bank Poidem! and LLC "Development Plus" into a parallel holding entity structure. The purpose of this transaction was to separate the more entrepreneurial businesses, with substantially different business and risk profiles, from the Group and allow Management to concentrate on the Group's core banking business operations.

The separation was expected to be completed during 2014. On 30 June 2014, the Group sold its shares of OJSC Bank24.ru. In August 2014 the Group's Management decided to terminate the further separation and account for CJSC Bank Poidem! and LLC "Development Plus" as part of the Group's continuing operations. The decision to terminate the separation was made due to the unstable situation in the market and downturn in the Russian economy. The Group has represented its comparative consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2013. Represented comparative information is presented below:

Consolidated Statement of Profit or Loss	As previously reported	Adjustment	As represented
Interest income	24,405,311	6,454,464	30,859,775
Interest expense	(9,420,213)	(1,006,677)	(10,426,890)
Net interest income	**14,985,098**	**5,447,787**	**20,432,885**
Fee and commission income	5,362,243	116,054	5,478,297
Fee and commission expense	(548,006)	(22,738)	(570,744)
Net fee and commission income	**4,814,237**	**93,316**	**4,907,553**
Net loss on financial assets and liabilities at fair value through profit or loss	(2,046,253)	-	(2,046,253)
Net foreign exchange gain	2,452,415	12,396	2,464,811
Net realized loss on available-for-sale securities	(1,507)	-	(1,507)
Other operating income	1,069,440	277,802	1,347,242
Other operating loss	(715,728)	-	(715,728)
Operating income before provision for impairment losses	**20,557,702**	**5,831,301**	**26,389,003**
Impairment losses	(4,747,407)	(1,705,531)	(6,452,938)
Change in fair value of investment property	(129,468)	-	(129,468)
General administrative expenses	(14,141,992)	(2,729,895)	(16,871,887)
Profit before tax	**1,538,835**	**1,395,875**	**2,934,710**
Income tax expense	(388,947)	(427,614)	(816,561)
Total profit for the period from continuing operations	**1,149,888**	**968,261**	**2,118,149**
Discontinued operations:			
Profit for the period from discontinued operations	**1,051,146**	**(968,261)**	**82,885**
Profit for the period	**2,201,034**	**-**	**2,201,034**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale securities, net of tax	(237)	-	(237)
Net amount of fair value of available-for-sale securities transferred to profit or loss, net of tax	597	-	597
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property and equipment, net of tax	162,726	-	162,726
Other comprehensive income	**163,086**	**-**	**163,086**
Total comprehensive income	**2,364,120**	**-**	**2,364,120**

Consolidated Statement of Profit or Loss	As previously reported	Adjustment	As represented
Profit attributable to:			
Equity holders of the Bank	2,150,065	-	2,150,065
Non-controlling interest	50,969	-	50,969
Profit for the year	**2,201,034**	-	**2,201,034**
Total comprehensive income attributable to:			
Equity holders of the Bank	2,313,151	-	2,313,151
Non-controlling interest	50,969	-	50,969
Total comprehensive income for the year	**2,364,120**	-	**2,364,120**
Earnings per share			
From continuing and discontinued operations			
Basic and diluted (RUR)	**625.32**		**625.32**
From continuing operations			
Basic and diluted (RUR)	**334.61**		**616.04**

Reclassification

Certain reclassification have been made to the consolidated financial statement as at 31 December 2013 to conform to the presentation as at 31 December 2014 as during 2014 the Group has changed its classification of loans. The Group has redetermined the level of materiality for classification for individually significant loans, which are to be assessed for objective evidence of impairment on an individual base. The loans which are lower than this revised level of materiality, are reclassified to the category "small and medium size borrowers" which are collectively assessed for impairment on a portfolio bases. The loan portfolio as of 31 December 2013 restated accordingly. Represented comparative information is presented below:

	As previously reported	Adjustment	As represented
Loans to large corporates			
Loans to large corporates	13,648,269	(6,153,728)	7,494,541
Loans to small and medium size companies	4,185,112	(4,185,112)	-
Total loans to large corporates	**17,833,381**	**(10,338,840)**	**7,494,541**
Financing receivables	6,908,800	-	6,908,800
Total financing receivables	**6,908,800**	-	**6,908,800**
Loans to small and medium size borrowers			
Consumer loans	30,452,760	-	30,452,760
Credit cards	6,152,159	-	6,152,159
Car loans	47,024	-	47,024
Other	6,270,336	10,338,840	16,609,176
Total loans to small and medium size borrowers	**42,922,279**	**10,338,840**	**53,261,119**
Gross loans to customers	**67,664,460**	-	**67,664,460**
Impairment allowance	(8,125,253)	-	(8,125,253)
Net loans to customers	**59,539,207**	-	**59,539,207**

5. ANALYSIS BY SEGMENT

The assets and liabilities of the disposal group of subsidiaries are presented below as discontinued operations classified as held for sale.

The Group now has eight reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the CEO (Chief Operating Decision Maker) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- Retail business division (RBD). The main activities of this division are all types of lending to individuals, investments, cash transfers, maintenance of safety deposit boxes, plastic cards and credit cards.
- Corporate business division (CBD) services companies with annual revenue from US 5 million dollars to US 100 million dollars. This division implements the principle of business management by portfolios. The division is structured by client segments. Subdivisions specialize in maintenance of special groups of clients.
- Small and medium size business division (SMBD) is organized into three main subdivisions: Small-size business, Medium-size business and Leasing. The main activities of Small-size business subdivision are express loans origination and cash and settlement operations with entrepreneurs and small-size entities whose annual revenue does not exceed US 1.5 million dollars. The main activities of the Medium-size business subdivision are loan origination to entities of larger size with total number of employees about 50 and annual revenue about US 3 million dollars. Leasing subdivision maintains all types of clients: large companies, as well as small-size entities that are mainly customers in respect of express leasing and express auto leasing.
- CJSC National Savings Bank is providing loans to individuals of the budgetary sector of the economy. On 21 April 2014, the Group obtained managerial control over OJSC CB "Solidarnost". Solidarnost specializes in retail and corporate banking in Samara region. The Group decided to merge CJSC National Savings Bank and OJSC CB "Solidarnost" in to one operational unit.
- Financial division is specialized in management of investments in financial instruments such as financial assets at fair value through profit and loss and available for sale securities, cash and cash equivalents, placements and borrowings with financial institutions and manages mandatory cash balances with the CBRF.
- Property development and investment division is specialized in investments in construction and investment property.
- Consumer finance and a limited number of other financial retail products is specialized in providing retail and express loans to individuals within one hour. In this segment are included the business of OJSC Bank "Poidem!".
- Discontinued operations included – Bank 24.ru which offered twenty-four-hour banking services to small and medium size business and individuals. This business unit included CMIF "Perspectivnaya Nedvijimost", the entity which holds title to the premises of Bank 24.ru.

Information regarding the results of each segment is included below. Performance is measured based on segment profit before tax as included in the internal management reports reviewed by the CEO.

Segment profit is used to measure performance as the CEO believes that such information is the most relevant in evaluating the result of each segment.

Segment breakdown of assets and liabilities of the Group is set out below:

	2014 RUR'000	2013 RUR'000
ASSETS		
Retail business division	26,486,301	30,959,458
Corporate business division	24,308,065	19,077,054
Solidarnost and CJSC National Savings Bank	16,380,727	2,136,762
Poidem!	14,037,915	-
Small and medium size business division	5,001,927	8,782,208
Financial division	89,905,773	70,860,660
Property development and investment division	2,373,728	3,875,447
Unallocated assets	9,082,722	5,257,734
	187,577,158	**140,949,323**
Assets of discontinued operations		
Poidem!	-	19,223,740
Bank 24.ru	-	11,432,573
Total assets	**187,577,158**	**171,605,636**
LIABILITIES		
Retail business division	76,400,785	63,520,196
Corporate business division	13,814,575	16,460,045
Small and medium size business division	14,169,068	19,913,423
Solidarnost and CJSC National Savings Bank	13,808,814	1,762,094
Poidem!	11,801,531	-
Financial division	39,744,664	11,456,692
Property development and investment division	-	5,474,928
Unallocated liabilities	2,591,388	8,710,783
	172,330,825	**127,298,161**
Liabilities associated with assets of discontinued operations		
Poidem!	-	16,819,454
Bank 24.ru	-	10,130,812
Total liabilities	**172,330,825**	**154,248,427**

PROBUSINESSBANK GROUP

NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Segment information for the main reportable business segments of the Group for the year ended 31 December 2014 is set below:

	Continuing operations							Discontinued operations		
	Retail business division	Corporate business division	Small and medium size business division	Solidarnost and CJSC National Savings Bank	Poidem!	Financial division	Property development and investment division	Bank 24.RU	Unallocated	Total
Interest income	12,453,680	2,570,552	1,835,695	2,519,207	4,754,443	2,090,756	143,689	208,288	-	26,576,310
Interest expense	(4,768,031)	(788,000)	(99,016)	(852,391)	(1,536,616)	(1,657,248)	(461,915)	(13,896)	-	(10,177,113)
Net revenue from other segments	3,930,239	447,903	353,097	(154,771)	-	(4,576,468)	-	-	-	-
Net interest income before provision for impairment	**11,615,888**	**2,230,455**	**2,089,776**	**1,512,045**	**3,217,827**	**(4,142,960)**	**(318,226)**	**194,392**	**-**	**16,399,197**
Impairment losses	(3,413,975)	(1,772,503)	(531,048)	(794,205)	(1,338,691)	(2,703,126)	(437,552)	14,509	-	(10,976,591)
Net interest income after provision for impairment	**8,201,913**	**457,952**	**1,558,728**	**717,840**	**1,879,136**	**(6,846,086)**	**(755,778)**	**208,901**	**-**	**5,422,606**
Non-interest income	3,493,531	1,015,292	1,806,428	274,109	660,635	1,360,382	(103,647)	906,766	-	9,413,496
Revaluation of investment property	-	-	-	-	-	-	(187,269)	-	-	(187,269)
General administrative expenses	(9,009,750)	(704,579)	(2,878,890)	(1,082,139)	(2,114,358)	(315,530)	(82,789)	(915,415)	(1,215,103)	(18,318,553)
Segment result	**2,685,694**	**768,665**	**486,266**	**(90,190)**	**425,413**	**(5,801,234)**	**(1,129,483)**	**200,252**	**(1,215,103)**	**(3,669,720)**

Depreciation and amortization of property, equipment and intangible assets and capital expenditures have not been allocated within the main reportable business segments of the Group. For the period ended 31 December 2014, depreciation and amortization expenses amount to RUR 1,173,000 thousand (31 December 2013: RUR 846,577 thousand). Capital expenditures allocated to those reportable businesses segments which have ordered such expenditures. Major part of external revenue is interest income of the Group which was RUR 26,368,022 thousand for the year ended 31 December 2014 (31 December 2013: 30,859,775 thousand).

PROBUSINESSBANK GROUP

NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Segment information for the main reportable business segments of the Group for the year ended 31 December 2013 is set below:

	Continuing operations						Discontinued operations			
	Retail business division	Corporate business division	Small and medium size business division	CJSC National Savings Bank	Financial division	Property development and investment division	Poidem!	Bank 24.RU	Unallocated	Total
Interest income	14,811,770	3,170,660	3,262,512	683,957	2,275,099	201,313	5,930,737	783,214	-	31,119,262
Interest expense	(5,988,839)	(1,061,463)	(366,883)	(155,064)	(1,199,077)	(1,016,827)	(989,943)	(56,555)	-	(10,834,651)
Net revenue from other segments	3,154,317	(560,143)	(209,881)	16,019	(2,400,312)	-	-	-	-	-
Net interest income before provision for impairment	**11,977,248**	**1,549,054**	**2,686,748**	**544,912**	**(1,324,290)**	**(815,514)**	**4,940,794**	**726,659**	**-**	**20,284,611**
Impairment losses	(3,167,698)	(417,597)	(686,957)	(421,770)	(8,828)	(44,557)	(1,627,070)	(73,068)	-	(6,447,545)
Net interest income after provision for impairment	**8,809,550**	**1,131,457**	**1,998,791**	**123,142**	**(1,333,118)**	**(860,071)**	**3,313,724**	**653,591**	**-**	**13,837,066**
Non-interest income	3,251,409	1,384,123	2,071,773	107,914	(891,123)	17,045	369,368	1,293,451	-	7,603,960
Revaluation of investment property	-	-	-	-	-	(129,468)	-	-	-	(129,468)
General administrative expenses	(8,371,248)	(952,136)	(3,000,008)	(208,800)	(361,935)	(273,440)	(2,657,052)	(1,474,583)	(974,426)	(18,273,628)
Segment result	**3,689,711**	**1,563,444**	**1,070,556**	**22,256**	**(2,586,176)**	**(1,245,934)**	**1,026,040**	**472,459**	**(974,426)**	**3,037,930**

The Group operates in the Russian Federation. There is no geographical allocation of revenue and assets due to the fact that the Group operates in one country.

6. NET INTEREST INCOME

	2014 RUR'000	2013 RUR'000
Interest income		
Loans to customers	23,625,823	28,713,141
Held-to-maturity investments	378,256	15,375
Placements with banks and other financial institutions	328,662	251,035
Amounts receivable under reverse repurchase agreements	13,515	53,187
Interest income on financial assets recorded at amortized cost	**24,346,256**	**29,032,738**
Financial instruments at fair value through profit or loss	2,021,766	1,827,037
	26,368,022	**30,859,775**
Interest expense		
Customer accounts	7,781,759	8,921,359
Deposits and balances from banks and other financial institutions	1,278,226	412,923
Debt securities issued	497,042	728,806
Amount payable under repurchase agreements	343,895	92,299
Subordinated debt	209,603	176,911
Other borrowed funds	52,692	94,592
Interest expense on financial liabilities recorded at amortized cost	**10,163,217**	**10,426,890**

For the year ended 31 December 2014, interest accrued on individually impaired loans to customers and placements with banks and other financial institutions amount to RUR 511,640 thousand (31 December 2013: RUR 779,773 thousand).

7. FEE AND COMMISSION INCOME

	2014 RUR'000	2013 RUR'000
Settlement fees	3,457,939	2,786,711
Cash operations fees	964,966	1,218,453
Plastic card fees	904,739	224,218
Guarantee issuance fees	499,036	687,530
Documentary operations fees	145,351	28,798
Bank-customer services fees	123,236	89,911
Brokerage fees	121,160	115,067
Foreign exchange fees	101,113	104,599
Other	123,396	223,010
	6,440,936	**5,478,297**

8. FEE AND COMMISSION EXPENSE

	2014 RUR'000	2013 RUR'000
Plastic card fees	255,763	207,278
Settlement fees	206,282	114,332
Cash operations fees	96,473	78,279
Brokerage fees	54,695	34,326
Documentary operations	30,481	43,980
Fees for guarantees received	23,749	30,356
Commissions on short term borrowings	23,433	19,919
Foreign exchange fees	5,580	10,083
Other	37,595	32,191
	734,051	**570,744**

9. NET LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 RUR'000	2013 RUR'000
Equity instruments	151,538	619,066
Debt instruments	(5,695,145)	(2,665,319)
	(5,543,607)	**(2,046,253)**

10. NET FOREIGN EXCHANGE GAIN

	2014 RUR'000	2013 RUR'000
Net gain from revaluation of financial assets and liabilities	5,167,926	466,245
Gain on spot transactions	2,234,227	1,998,566
	7,402,153	**2,464,811**

11. OTHER OPERATING INCOME

	2014 RUR'000	2013 RUR'000
Agent commissions on insurance contracts	1,135,521	1,113,631
Fines/penalties received	126,179	94,462
Gain on disposal of property and equipment	39,102	33,070
Income on property lease	31,371	4,496
Write-off of accounts payable	5,917	2,777
Other	95,814	98,806
	1,433,904	**1,347,242**

12. OTHER OPERATING EXPENSE

	2014 RUR'000	2013 RUR'000
Loss on disposal of development property	103,647	518,500
Loss on disposal of investment property	-	197,228
	103,647	**715,728**

13. IMPAIRMENT LOSSES

	2014 RUR'000	2013 RUR'000
Charge for provision for impairment		
Loans to customers	9,682,203	6,461,019
Financial guarantees	493,797	-
Development property	437,552	-
Other assets	67,465	44,647
Available-for-sale securities	41,776	8,828
Placements with banks and other financial institutions	41,122	-
Legal claims	37,610	-
Property and equipment and intangible assets	189,575	-
	10,991,100	**6,514,494**
Reversal of provision for impairment		
Property and equipment and intangible assets	-	(58,996)
Financial guarantees	-	(2,560)
	-	**(61,556)**
Net provision for impairment losses	**10,991,100**	**6,452,938**

14. GENERAL ADMINISTRATIVE EXPENSES

	2014 RUR'000	2013 RUR'000
Salary and bonuses	7,561,002	7,514,249
Payroll related taxes	1,921,391	1,841,802
Occupancy costs	1,675,507	1,606,352
Depreciation and amortization of property, equipment and intangible assets	1,140,827	913,507
Taxes other than income tax	652,333	515,274
Advertising expenses	609,907	562,547
Telecommunication services	554,744	495,673
IT, vehicle maintenance and information services	474,235	348,091
Property and equipment maintenance	421,487	546,773
Deposit insurance system payments	357,294	358,486
Software acquisition and support	276,846	426,663
Materials and office supplies	270,654	255,577
Business trip expenses	240,618	335,881
Security	194,258	156,792
Entertainment	74,623	74,906
Professional services	40,610	152,061
Insurance	40,327	55,639
Loss on disposal of property, equipment and intangible assets	-	66,150
Fines paid	27,228	18,374
Other	869,247	627,090
	17,403,138	**16,871,887**

15. INCOME TAX EXPENSE

	2014 RUR'000	2013 RUR'000
Current tax expense		
Current year	(577,273)	(1,145,816)
	(577,273)	**(1,145,816)**
Deferred tax expense		
Origination and reversal of temporary differences	995,302	329,255
Deferred tax asset not recognized	(87,510)	-
Total income tax benefit/(expense)	**330,519**	**(816,561)**

The applicable tax rate for current tax is 20% (2013: 20%). The Group applied 20% deferred tax rate (2013: 20%).

Reconciliation of effective tax rate:

	2014 RUR'000	%	2013 RUR'000	%
(Loss)/profit before tax	**(3,470,085)**		**2,934,710**	
Income tax at the applicable tax rate	(694,017)	(20.0%)	586,942	20.0%
Permanent differences	148,857	4.3%	243,016	8.3%
Income tax at different tax rates	127,131	3.7%	(13,397)	(0.5%)
Deferred tax asset not recognized	87,510	2.5%	-	-
Total income tax benefit/(expense)	**(330,519)**	**(9.5%)**	**816,561**	**27.82%**

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2014 and 2013. These deferred tax assets have been recognized in these consolidated financial statements.

The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Group's ability to claim the deductions in future periods.